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**BEFORE THE BOARD OF PATENT APPEALS  
AND INTERFERENCES**

Paper No. 39

Application Number: 09/375,451  
Filing Date: August 17, 1999  
Appellant(s): MCCLUNG III, GUY L.

**MAILED**

SEP 29 2003

McClung, G.L. III  
For Appellant

**GROUP 3600**

**EXAMINER'S ANSWER**

This is in response to the appeal brief filed 7/12/03.

**(1) *Real Party in Interest***

The brief does not contain a statement identifying the Real Party in Interest.

Therefore, it is presumed that the party named in the caption of the brief is the Real Party in Interest, i.e., the owner at the time the brief was filed. The Board, however,

may exercise its discretion to require an explicit statement as to the Real Party in Interest.

**(2) *Related Appeals and Interferences***

The brief does not contain a statement identifying the related appeals and interferences which will directly affect or be directly affected by or have a bearing on the decision in the pending appeal is contained in the brief. Therefore, it is presumed that there are none. The Board, however, may exercise its discretion to require an explicit statement as to the existence of any related appeals and interferences.

**(3) *Status of Claims***

The statement of the status of the claims contained in the brief is correct.

**(4) *Status of Amendments After Final***

No amendment after final has been filed.

**(5) *Summary of Invention***

The summary of invention contained in the brief is correct.

**(6) *Issues***

The appellant's statement of the issues in the brief is correct.

**(7) *Grouping of Claims***

The rejection of claims 55-71 stand or fall together because appellant's brief does not include a statement that this grouping of claims does not stand or fall together and reasons in support thereof. See 37 CFR 1.192(c)(7). The Appellant makes a statement grouping the claims differently from the Examiner's groupings but failed to

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argue the claims separately within the groupings identified therefore the Examiner recommends that the claims be grouped per the grouping identified in the office action.

Group A: Claims 55, 56, 60-61, 63-67, 69 and 71

Group B: Claim 57

Group C: Claim 58

Group D: Claim 59

Group E: Claim 62

Group F: Claim 68

Group G: Claim 70

**(8) Claims Appealed**

The copy of the appealed claims contained in the Appendix to the brief is correct.

**(9) Prior Art of Record**

5,642,279	BLOOMBERG ET AL.	6-1997
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6,249,772	WALKER ET AL.	6-2001
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**(10) Grounds of Rejection**

The following ground(s) of rejection are applicable to the appealed claims:

**Claims 55-71 are rejected under 35 U.S.C. 101 because the claimed invention is directed to non-statutory subject matter.**

As an initial matter, the United States Constitution under Art. I, §8, cl. 8 gave Congress the power to "[p]romote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings

and discoveries". In carrying out this power, Congress authorized under 35 U.S.C. §101 a grant of a patent to "[w]hoever invents or discovers any new and useful process, machine, manufacture, or composition or matter, or any new and useful improvement thereof." Therefore, a fundamental premise is that a patent is a statutorily created vehicle for Congress to confer an exclusive right to the inventors for "inventions" that promote the progress of "science and the useful arts". The phrase "technological arts" has been created and used by the courts to offer another view of the term "useful arts". See *In re Musgrave*, 167 USPQ (BNA) 280 (CCPA 1970). Hence, the first test of whether an invention is eligible for a patent is to determine if the invention is within the "technological arts".

Further, despite the express language of §101, several judicially created exceptions have been established to exclude certain subject matter as being patentable subject matter covered by §101. These exceptions include "laws of nature", "natural phenomena", and "abstract ideas". See *Diamond v. Diehr*, 450, U.S. 175, 185, 209 USPQ (BNA) 1, 7 (1981). However, courts have found that even if an invention incorporates abstract ideas, such as mathematical algorithms, the invention may nevertheless be statutory subject matter if the invention as a whole produces a "useful, concrete and tangible result." See *State Street Bank & Trust Co. v. Signature Financial Group, Inc.* 149 F.3d 1368, 1973, 47 USPQ2d (BNA) 1596 (Fed. Cir. 1998).

This "two prong" test was evident when the Court of Customs and Patent Appeals (CCPA) decided an appeal from the Board of Patent Appeals and Interferences (BPAI). See *In re Toma*, 197 USPQ (BNA) 852 (CCPA 1978). In *Toma*, the court held

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that the recited mathematical algorithm did not render the claim as a whole non-statutory using the Freeman-Walter-Abele test as applied to *Gottschalk v. Benson*, 409 U.S. 63, 175 USPQ (BNA) 673 (1972). Additionally, the court decided separately on the issue of the "technological arts". The court developed a "technological arts" analysis:

The "technological" or "useful" arts inquiry must focus on whether the claimed subject matter...is statutory, not on whether the product of the claimed subject matter...is statutory, not on whether the prior art which the claimed subject matter purports to replace...is statutory, and not on whether the claimed subject matter is presently perceived to be an improvement over the prior art, e.g., whether it "enhances" the operation of a machine. *In re Toma* at 857.

In *Toma*, the claimed invention was a computer program for translating a source human language (e.g., Russian) into a target human language (e.g., English). The court found that the claimed computer implemented process was within the "technological art" because the claimed invention was an operation being performed by a computer within a computer.

The decision in *State Street Bank & Trust Co. v. Signature Financial Group, Inc.* never addressed this prong of the test. In *State Street Bank & Trust Co.*, the court found that the "mathematical exception" using the Freeman-Walter-Abele test has little, if any, application to determining the presence of statutory subject matter but rather, statutory subject matter should be based on whether the operation produces a "useful, concrete and tangible result". See *State Street Bank & Trust Co.* at 1374. Furthermore, the court found that there was no "business method exception" since the court decisions that purported to create such exceptions were based on novelty or lack of enablement issues and not on statutory grounds. Therefore, the court held that "[w]hether the

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patent's claims are too broad to be patentable is not to be judged under §101, but rather under §§102, 103 and 112." See *State Street Bank & Trust Co.* at 1377. Both of these analysis goes towards whether the claimed invention is non-statutory because of the presence of an abstract idea. Indeed, *State Street* abolished the Freeman-Walter-Abele test used in *Toma*. However, *State Street* never addressed the second part of the analysis, i.e., the "technological arts" test established in *Toma* because the invention in *State Street* (i.e., a computerized system for determining the year-end income, expense, and capital gain or loss for the portfolio) was already determined to be within the technological arts under the *Toma* test. This dichotomy has been recently acknowledged by the Board of Patent Appeals and Interferences (BPAI) in affirming a §101 rejection finding the claimed invention to be non-statutory. See *Ex parte Bowman*, 61 USPQ2d (BNA) 1669 (BdPatApp&Int 2001).

In the present application, independent claim 55 recites a method and independent claims 64 and 71 recite a system (in "means plus function) language. Method claim 55 clearly recites a "useful, concrete and tangible result" ("guaranteeing a consumer a best price" by "refunding to the consumer an amount equal to the money-value difference"), however the claim recites no structural limitations (i.e., computer implementation), and so it fails the first prong of the test (technological arts). System claim 64 also clearly recites a "useful, concrete and tangible result" as this claim mirrors method claim 55, however, since the claim is in "means plus function" language, the specification must be consulted to determine the corresponding structure and equivalents thereof:

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The plain and unambiguous meaning of paragraph six is that one construing means-plus-function language in a claim must look to the specification and interpret that language in light of the corresponding structure, material, or acts described therein, and equivalents thereof, to the extent that the specification provides such disclosure. Paragraph six does not state or even suggest that the PTO is exempt from this mandate, and there is no legislative history indicating that Congress intended that the PTO should be. Thus, this court must accept the plain and precise language of paragraph six. *In re Donaldson*, 16 F.3d 1189, 1193, 29 USPQ2d 1845, 1848 (Fed. Cir. 1994).

When one looks to the specification to determine the corresponding structure, or equivalents thereof, for the "means" recited in claims 64 and 71, one finds the following:

"The present invention, in certain preferred embodiments, provides a method for guaranteeing a consumer a best price on an item (or for a service) purchased from a vendor (either over a computer network or host system or at a vendor location) in a first transaction at a first price, the method including recording the first price (on paper or on a computer system or computer memory) and information identifying the consumer, monitoring the sales price of the item for a predetermined time period after the first transaction, noting any price lower than the first price for the item during the predetermined time period, calculating (either manually, by calculator, and/or by computer) a money-value difference between the first price and said any price lower than the first price, and refunding (in cash in hand paid; by crediting a consumer's account; by providing coupons or certificates; and/or by making the amount available to the consumer either on-line or at a vendor location) to the consumer an amount equal to the money-value difference. The method can be done manually with paper records; on a suitably programmed computer and/or computer system or network; and/or via a host system or any other system, e.g. but not limited to as described in the "Business System" patent application or in any prior art system discussed therein." Specification, page 7 line 25 to page 8 line 11.

From this it can be seen that the broadest reasonable equivalent disclosed ("by hand" or "manually with paper records") fails to pass the first prong technological arts test and therefore recites non-statutory subject matter under 35 USC 101.

**Claims 55-71 are rejected under 35 U.S.C. 103(a) as being unpatentable over Bloomberg et al.(5,642,279 hereinafter Bloomberg) in view of Walker et al,(6,249,772 hereinafter Walker).**

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With respect to claims 55, 56, 60-61, 63-67, 69, 71 Bloomberg teaches a method for guaranteeing a consumer a best price on an item purchased from a vendor in a consummated final first transaction at a first price (abstract). Recording the first price and information identifying the consumer (col. 3, lines 50-57); noting any price lower than the first price for the item during the predetermined time period following the purchase of the item col. 3, lines 62-, col. 4, lines 1-26); calculating a money-value difference between the first price and said any price lower than the first price and refunding to the consumer an amount equal to the money value difference (Figure 2); wherein the item is purchased via a host system and the host system records the first price and information identifying the customer; the host system conducts the monitoring, noting and calculating steps; and the host system provides the refund to the consumer (see figure 1 and col. 3, lines 19-34).

With respect to the host system providing the refund by crediting an account of the consumer. Bloomberg teaches printing a check to the consumer (see figure 2). Bloomberg does not specifically teach crediting an account of the consumer. Walker teaches system providing the refund by crediting an account of the consumer (col. 22, lines 17-33). It would have been obvious to a person of ordinary skill in the art at the time of Applicant's invention to include in the system of Bloomberg of crediting an account of the consumer because such a modification would allow the system of Bloomberg to immediate provide the refund rather than having to wait for the refund to be mailed.



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Claim 57 further recites that the item is purchased by the consumer on-line. Bloomberg does not specifically teach that the consumer is making the purchasing on-line. Since, Bloomberg teaches that a PC may be utilized (col. 3, lines 28-34) and Walker teaches on figure 1, the customer using his PC to connect on-line to the vendor then it would have been obvious to a person of ordinary skill in the art at the time of Applicant's invention to have included conducting the purchases on-line because such a modification would the customer to make purchases in the convenience of his or her home.

With respect to claim 58, the combination of Bloomberg and Walker do not specifically teach that the account is an account of the consumer with the host system. Official notice is taken that it is old and well known for vendors to establish an account for the consumers in the form of an in-store credit card or the like. It would have been obvious to a person of ordinary skill in the art at the time of Applicant's invention to have included crediting an account with the host system because such a modification would motivate the consumers to buy additional items with the vendor since he or she has already a credit with them.

Claim 59 further recites that a refund is made for each subsequent sales price lower than the first price. Since Bloomberg teaches guaranteeing a consumer the best prices then it would have been obvious to a person of ordinary skill in the art to refund the consumers for each subsequent sales price lower than the first price because such a modification would allow the customer to get the lowest price each time the product is purchased.

Claim 62 further recites that only items sold by the vendor, involved in the first transaction are taken into account in the noting step. Bloomberg teaches noting by another within a predetermined time period. Bloomberg does not specifically teach that the noting of the lowering price is only performed for the vendor involved in the first transaction.

Claim 68 further recites duplicating any incentive accompanying sales of the item after the first transaction. Official notice is taken that is old and well known to duplicate an incentive. For example, double coupons are well known in the retail market in order to motivate consumers to purchase at a certain location. It would have been obvious to a person of ordinary skill in the art at the time of Applicant's invention to have included duplicating any incentive accompanying sales of the item after the transaction for the above mentioned advantages.

Claim 70 further recites providing a warranty to the consumer. Since, Walker is a system and method of selling an item and like any conventional method of selling a product often provides a warranty on the item purchased in order to assure the customer the integrity of a product and of the maker's responsibility for the repair or replacement of defective parts. It would have been obvious to a person of ordinary skill in the art at the time of Applicant's invention to have included providing a warranty to the consumer for the above mentioned advantages.

**(11) Response to Argument**

With respect to Appellant's argument with respect to the 101 rejection, the claims do not recite sufficient structure to satisfy the 101 requirements such as computer

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implementation, and so it fails the first prong of the test (technological arts). The host system claimed do not necessarily limit the claims to a computerized system. A host system broadly claimed can be any main system not necessarily a computerized system. With respect to the means plus function recited in claim 64, it includes crediting an account which doesn't further include any computer system components for crediting the account. The specification clearly states on page 7, lines 25-, col. 1-11 that the method can be done manually with paper record.

In response to applicant's arguments against the references individually, one cannot show nonobviousness by attacking references individually where the rejections are based on combinations of references. See *In re Keller*, 642 F.2d 413, 208 USPQ 871 (CCPA 1981); *In re Merck & Co.*, 800 F.2d 1091, 231 USPQ 375 (Fed. Cir. 1986). The Appellant argues that the Walker reference is not directed to future-time post-sale prices that may go into effect for an item previously purchased by a consumer and that Walker doesn't teach charging a consumer a later lower price. The Appellant is reminded that Walker **wasn't cited for teaching** monitoring the sales of price of the item after purchase of the item. In the other hand, Bloomberg was cited and clearly teaches **"technique for utilizing a computer system to provide price protection to retail customer"** (Bloomberg's title). In Bloomberg the system notes price lower than the purchased price in order to refund the customer with the difference in price between the price paid for the item and the new advertised price (in Bloomberg Figure 2 and col. 3, lines 62-, col. 4, lines 1-26).

The Appellant is reminded that the walker reference was merely cited for teaching crediting an account of the consumer. Walker on col. 22, lines 17-33 clearly teaches that a refund can be credited to a customer's credit card account and therefore it would have been obvious to a person of ordinary skill in the art at the time of Applicant's invention to include in the system of Bloomberg of crediting an account of the consumer as taught by Walker because such a modification would allow the system of Bloomberg to immediately provide the refund rather than having to wait for the refund to be mailed.

In response to applicant's argument that there is no suggestion to combine the references, the examiner recognizes that obviousness can only be established by combining or modifying the teachings of the prior art to produce the claimed invention where there is some teaching, suggestion, or motivation to do so found either in the references themselves or in the knowledge generally available to one of ordinary skill in the art. See *In re Fine*, 837 F.2d 1071, 5 USPQ2d 1596 (Fed. Cir. 1988) and *In re Jones*, 958 F.2d 347, 21 USPQ2d 1941 (Fed. Cir. 1992). In this case, a person of ordinary skill in the art is presumed to have knowledge generally available to one of ordinary skill in the art. According to *In re Jacoby*, 135 USPQ 317 (CCPA 1962), the skilled artisan is presumed to know something more about the art than only what is disclosed in the applied references. In *In re Bode*, 193 USPQ 12 (CCPA 1977), every reference relies to some extent on knowledge of persons skilled in the art to complement that which is disclosed therein.

With respect to Appellant's arguments to dependent claim 58, the Examiner took official notice that having an account with a host system is old and well known. The Examiner asserts/asserted that having an account with a host system (i.e. store credit accounts) are old and well known in the retail environment in order to provide credit to the customers and induce purchases that can be paid at a later time.

With respect to Appellant's arguments to dependent claim 59, The Appellant argues that Bloomberg does not teach allowing a customer to take advantage of subsequent multiple prices. The Examiner disagrees with Applicant because since Bloomberg teaches guaranteeing a consumer the best prices (Abstract and Title) then it would have been obvious to a person of ordinary skill in the art to refund the consumers for each subsequent sales price lower than the consummated price because such a modification would allow the customers to always get the lowest prices.

With respect to Appellant's arguments with respect to dependent claim 62, the claim further recites that only items sold by the vendor involved in the first transaction are taken into account in the noting step. Bloomberg teaches noting any advertised items by other vendors within a predetermined time period. Bloomberg does not specifically teach that the noting of the lowering price is only performed for the vendor involved in the first transaction nevertheless it would have been obvious to a person of ordinary skill in the art to take into account prices differential only for items bought at a particular vendor because such a modification would provide simplicity within the system.

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With respect to dependent claim 68, in response to applicant's argument that is not obvious to include after-sale incentive duplication, the test for obviousness is not whether the features of a secondary reference may be bodily incorporated into the structure of the primary reference; nor is it that the claimed invention must be expressly suggested in any one or all of the references. Rather, the test is what the combined teachings of the references would have suggested to those of ordinary skill in the art. See *In re Keller*, 642 F.2d 413, 208 USPQ 871 (CCPA 1981).

For the above reasons, it is believed that the rejections should be sustained.

Respectfully submitted,


Raquel Alvarez  
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Art Unit 3622


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September 22, 2003

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